



Town of Saugus

**Classification Presentation and
Selection of Minimum
Residential Factor for
Fiscal Year 2013**

**Presented by the
Board of Assessors**

**Dr. Frederick J. Wagner, Chairman
Michael J. Murphy
Leon Valliere**

**Ronald J. Keohan Jr. MAA
Deputy Assessor
Tamara Sands MAA
Assistant Deputy Assessor**

FISCAL YEAR 2013		TOWN OF SAUGUS			
		ASSESSORS OFFICE			
		RON KEOHAN, MAA			
TAX LEVY		\$53,118,729.29			
SELECTED M.R.F		0.792695			
CLASS	VALUATION DOLLARS	PER-CENT	TAX LEVY DOLLARS	PER-CENT	
Residential Value	\$2,924,631,253.00	78.3443%	\$32,988,385.72	62.1031%	66.0257%
Open Space Value	\$0	0.0000%	\$0.00	0.0000%	
TOTAL R/O	\$2,924,631,253.00		\$32,988,385.72		
Commercial Value	\$573,653,147.00	15.3669%	\$14,284,465.62	26.8916%	
Industrial Value	\$150,451,500.00	4.0303%	\$3,746,374.08	7.0528%	
Personal Property Value	\$84,314,460.00	2.2586%	\$2,099,503.87	3.9525%	
TOTAL CIP	\$808,419,107.00		\$20,130,343.57		
GRAND TOTAL	\$3,733,050,360.00	100.00%	\$53,118,729.29	100.0000%	
Flat Tax Rate		14.22930959	C+I+P (%)	37.8969%	
Residential Rate		11.27950257			
C.I.P. Rate		24.90087554			
Residential Rate(%)=>50		Calculated MRF	79.2695%		
C I P Rate (%)=<175		174.99707%			
TAXES RECEIVABLE ROUNDED OFF					
Classes		New Tax Rates	Last Years Tax Rates	Difference	
R/O	\$32,988,385.72	\$11.28	\$11.04	\$0.24	2.17%
CIP	\$20,130,343.57	\$24.90	\$24.16	\$0.74	3.07%
Tax Levy		\$53,118,729.29			
Levy Limit		\$53,147,428.00			
Excess Levy Capacity		\$28,698.71			

DATE: November, 2012
TO: Honorable Board of Selectmen
FROM: Board of Assessors

SUBJECT: Classification & Establishment of the FY2013 Tax Rate

The Saugus Board of Assessors vested with authority granted it by Chapter 59, General Laws relating to taxation, does affirm that the Full and Fair Cash Value of all taxable property, i.e. real and personal within the Town of Saugus has been established as \$3,733,050,360.

The Assessors do certify that property assessments meet the minimum certification requirements of full and fair cash value as required by the Department of Revenue, Division of Local Services, and Bureau of Local Assessment.

The Department of Revenue's calculation of the lowest possible Residential Factor is anticipated at 79.2695% or the right of your Board to tax commercial, industrial and personal property at a maximum share of the tax levy for FY2013 at 175.00%.

Your Honorable Board is required, in accordance with Chapter 369 of the Acts of 1982, to hold a public hearing, duly advertised, to determine the percentage of the tax burden to be borne by each class of property and which property has been classified by the Assessors according to use.

The Assessors cannot proceed to seek approval from the Department of Revenue's Bureau of Accounts for FY2013 tax rate, however, until the public hearing has been concluded with your vote of the Residential Factor.

Enclosed for your information and consideration are computations of projected maximum and minimum shares of the FY2013 tax levy.

The information contained in this handout is intended to provide the Board of Selectmen with information necessary to conduct a public hearing on the classification options available under Massachusetts General Law. The classification amendment allows the board to consider several options that will be explained further along in this handout. Additionally, the decision of the board for each of the options must be submitted to the state's Department of Revenue on form LA 5.

The options presented for consideration are:

Selection of a Minimum Residential Factor
Selection of a discount for Open Space
Granting of a residential and / or small commercial exemption

Selection of a residential factor

The Board of Selectmen has the option of selecting a factor of '1' which in effect, would adopt a single tax rate for all residential, commercial, industrial and personal property classes instead of shifting some of the tax burden off of the residential class and onto the CIP classes. If a factor of '1' were to be adopted, the single tax rate for all classes would be \$14.24. This rate is determined by dividing the tax levy by the total value of all taxable property in Saugus and then multiplying that result by 1000.

Levy: \$53,118,729.00 / Value: \$3,733,050,360 = (0.0142293) x 1000 = Tax Rate \$14.23

Chapter 200

In accordance with the provisions of MGL Chapter 200, the Board of Selectmen can choose to split the tax rate by shifting some of the tax burden from the residential class to the CIP classes of property. This results in a lower residential tax rate and a higher rate for the CIP sector.

In choosing to split the tax rate, the Board must remain cognizant of two important limitations contained within Chapter 200:

1. The residential tax burden cannot fall below 50% of their tax burden prior to shifting, and
2. The CIP sector cannot absorb more than 175% of their tax burden prior to the shifting.

Historically, the selectmen have chosen the maximum allowable shift factor thereby affording residential taxpayers the lowest possible share of the tax burden allowed under state law.

The table below summarizes the tax rate impact at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL %	CIP %	RESIDENTIAL TAX RATE	CIP TAX RATE
0	1.00	78.3449	21.6551	\$14.23	\$14.23
1.01	.997236	78.1284	21.8716	\$14.20	\$14.38
1.25	.93.0898	72.9311	27.0689	\$13.25	\$17.79
1.50	.861796	67.5174	32.4826	\$12.26	\$21.34
1.75	.792695	62.1036	37.8964	\$11.28	\$24.90

(Bold print represents the maximum allowable shift capacity)

It is important to note that although the board is effectively choosing the CIP shift factor, it is technically selecting the Residential Factor in column two that is the result of selecting the CIP shift illustrated in the first column. The next two columns indicate the respective share of the tax burden resulting from the corresponding shift factor. The final two columns present the anticipated tax rates for each class.

For your information, the average single family home value for fiscal year 2013 is \$325,500. In consideration of that value, the table below summarized the anticipated FY 2013 average tax bill amounts at various shift intervals.

CIP SHIFT	RESIDENTIAL FACTOR	RESIDENTIAL PERCENTAGE	RESIDENTIAL TAX RATE	EST. FY13 TAX BILL
1	1	78.3449	\$14.23	\$4632
1.25	93.0898	72.9311	\$13.20	\$4,297
1.50	86.1796	67.5174	\$12.26	\$3991
1.75	79.2695	62.1036	\$11.28	\$3672

(Bold print represents the maximum allowable shift available for FY2013)

Additionally, the average commercial property valuation for fiscal year 2013 is \$1,507,400. The table below summarizes the anticipated FY2013 average tax bill amounts.

CIP SHIFT	FACTOR	CIP PERCENTAGE	CIP TAX RATE	EST. FY12 TAX BILL
1	1	21.6551	\$14.24	\$21,465
1.25	93.0898	27.0689	\$17.79	\$26,817
1.50	86.1796	32.4826	\$21.34	\$32,168
1.75	79.2695	37.8964	\$24.90	\$37,534

(Bold print represents the maximum allowable shift available for FY2013)

In accordance with the provisions of Chapter 200, the Town may select a CIP shift factor of up to 175% for.

If the intent of the Board of Selectmen were to afford residential taxpayers the lowest possible share of the tax burden allowed under state law for fiscal year 2013, then your minimum residential factor selection would be .792695 which would result in the following anticipated tax rates:

Residential Tax Rate	Commercial, Industrial & Personal Property Tax Rate
\$11.28	\$24.90

The results of the adoption of the aforementioned minimum residential factor as compared to last year's average tax bills are outlined in the following table:

Average Tax Bill Comparison FY 2012 to FY 2013	
FY2012 Avg. single family home value	\$325,000
FY2012 Avg. single family tax bill (\$11.04)	\$3,588.00
FY2012 Avg. commercial property value	\$1,513,600
FY2012 Avg. commercial property tax bill (\$24.16)	\$36,568.58
Projected FY 2013	
Projected FY 2013 residential tax rate	\$11.28
Average residential tax rate difference	\$0.24
Projected FY2013 average single family tax bill	\$3,671.64
Average single family tax bill difference	\$83.64
FY2013 average commercial property value	\$1,507,400
Projected FY2013 CIP tax rate	\$24.90
CIP Tax Rate difference	\$.74
Projected FY2013 CIP Tax Bill	\$37,534.26
Average CIP difference	\$965.68

Granting a Residential Exemption

The Board of Selectmen may adopt a residential exemption for all residential properties in the town that are owner occupied. The exemption amount would be to 20% of the average assessed value of all properties eligible to be taxed at the residential tax rate, including vacant parcels as part of the total parcel count.

Although the thought of granting a residential exemption to owner occupied residential properties appears to be a form of tax relief, this is not the case here in Saugus. It is true that some properties would receive tax relief through the adoption of this measure. However, since the tax levy remains the same and since it only shifts the tax burden within the residential class, the overall residential tax rate would increase substantially to compensate for this form of tax relief. In our case, the tax rate would rise from \$11.28 to an estimate of \$13.85.

According to the mechanics of this exemption, the tax burden for those owner occupied properties below the breakeven point would be decreased. For all other residential properties, the tax burden would increase. This would include all non-owner occupied residential properties and vacant land, as well as all owner occupied properties above the breakeven point since the exemption is deducted after the application of the much higher residential tax rate. Additionally, more assessing staff would be needed to accomplish the implementation and maintenance of this exemption.

The residential exemption has been adopted by only a few communities in the Commonwealth including Boston, Cambridge, Chelsea and Brookline and has never been adopted in Saugus. On a cautionary note, adoption of a residential exemption will significantly raise the residential tax rate while providing a benefit ONLY to those properties that are valued below the exemption's breakeven point.

Additional Information

Further attached are some additional exhibits which you may find of interest.

Exhibit A is the form LA 4 that gives a breakdown of the various classes of property and their respective total valuations and parcel counts. This form must be reviewed and approved on an annual basis by the state's Department of Revenue.

The column entitled "Property Type" on the LA 4 contains the various classes of properties. The properties in the 100-series are the various types of residential properties in the community. The 300-series are commercial properties and the 400-series are industrial properties. The 012-043 represent mixed use commercial / residential properties and the 500-series are personal property accounts. All properties in the 100- series are taxed at the residential tax rate; all others are taxed at the CIP tax rate.

Exhibit B is the form used to determine the town's levy limit for FY 2013. Since the levy limit uses the prior year's levy as a basis, the FY2012 levy limit calculation is listed in section one of the forms. The formula for calculating FY 2013's limit is illustrated in section two which takes last year's limit plus 2.5% plus new growth and any overrides or debt exclusions voted by the public. That total is the maximum allowable levy.

Exhibit C will provide you with some helpful definitions of some terms discussed as part of classification.

Exhibit D lists last year's tax rates and tax shifts for some neighboring communities.

Exhibit E provides a breakdown of the total levy by property class since 1986.

MASSACHUSETTS DEPARTMENT OF REVENUE

DIVISION OF LOCAL SERVICES

ASSESSMENT/CLASSIFICATION REPORT FY2013

SAUGUS

City/Town/District

as of January 1, 2012

PROPERTY TYPE	ACCT/ PARCEL COUNT	CLASS 1 Residential Assessed Value	CLASS 2 Open Space Assessed Value	CLASS 3 Commercial Assessed Value	CLASS 4 Industrial Assessed Value	CLASS 5 Personal Property Assessed Value
101	7,142	2,324,872,100				
102	817	201,971,000				
MISC 103,109	15	8,118,900				
104	564	191,747,000				
105	74	24,258,000				
111-125	37	103,205,500				
130-32,106	814	55,681,200				
200-231	0		0			
300-393	369			556,230,100		
400-452	95				150,451,500	
CH 61 LAND	0		0	0		
CH 61A LAND	1		0	42,500		
CH 61B LAND	6		0	1,255,200		
012-043	72	14,777,553	0	16,095,347	0	
501	229					8,625,460
502	450					17,936,710
503	0					0
504,550-2	4					41,061,990
505	3					12,658,600
506	1					1,842,200
508	6					2,189,500
TOTALS	10,699	2,924,631,253	0	573,623,147	150,451,500	84,314,460
REAL AND PERSONAL PROPERTY TOTAL VALUE						3,733,020,360
EXEMPT VALUE						297,403,200

NOTE : The information was Approved on 09/17/2012.

Submitted by: Board of Assessors

Ronald J. Keohan, Deputy Assessor, Saugus, 781-231-4134
(Board of Assessors)

9/5/2012 11:05 AM
(Date)

Original signatures on file in the Assessors Office voted at mtg of 9/4/2012. Subr
(Comments)

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF REVENUE
FISCAL 2013 TAX LEVY LIMITATION FOR

SAUGUS

FOR BUDGET PLANNING PURPOSES

Final Tax Rate Set

I. TO CALCULATE THE FY 2012 LEVY LIMIT

A. FY 2011 Levy Limit	47,680,424
A1. ADD Amended FY 2011 Growth	0
B. ADD (IA + IA1) * 2.5%	1,192,011
C. ADD FY 2012 New Growth	511,011
C1. ADD FY 2012 New Growth Adjustment	0
D. ADD FY 2012 Override	0
E. FY 2012 Subtotal	49,383,446
F. FY 2012 Levy Ceiling	92,713,451

I. **\$49,383,446**
FY 2012 Levy Limit

II. TO CALCULATE THE FY 2013 LEVY LIMIT

A. FY 2012 Levy Limit from I.	49,383,446
A1. ADD Amended FY 2012 Growth	
B. ADD (IIA + IIA1) * 2.5%	1,234,586
C. ADD FY 2013 New Growth	745,948
C1. ADD FY 2013 New Growth Adjustment	0
D. ADD FY 2013 Override	0
E. FY 2013 Subtotal	51,363,980
F. FY 2013 Levy Ceiling	93,325,509

II. **\$51,363,980**
FY 2013 Levy Limit

III. TO CALCULATE THE FY 2013 MAXIMUM ALLOWABLE LEVY

A. FY 2013 Levy Limit from II.	51,363,980
B. FY 2013 Debt Exclusion(s)	1,783,448
C. FY 2013 Capital Expenditure Exclusion(s)	0
D. FY 2013 Stabilization Fund Override	0
E. FY 2013 Other Adjustment	0
F. FY 2013 Water / Sewer	0
G. FY 2013 Maximum Allowable Levy	\$53,147,428

NOTE : The information was Approved on 12/03/2012.

Ronald J. Keohan, Deputy Assessor, Saugus, 781-231-4134
(Board of Assessors)

9/17/2012 2:36 PM
(Date)

Original signatures on file in the Assessors Office voted at mtg of 9/4/201...
(Comments)

EXHIBIT C

IMPORTANT TERMS

TERM	DEFINITION
Levy	The property tax levy is the revenue a community can raise through real and personal property taxes.
Levy Limit	The maximum a community can levy in a given year equal to last year's levy plus 2.5% plus new growth plus override / exclusion if applicable.
Levy Ceiling	Equal to 2.5% of the total full and fair cash value of all taxable real and personal property in the community.
New Growth	Increase in the tax base due to new construction, parcel subdivisions, condominium conversions and property renovations but not due to revaluation. It is calculated by multiplying the increased assessed valuation by the prior year's tax rate for the appropriate class of property.
Override	A permanent increase to a community's levy limit.
Override Capacity	The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.
Debt Exclusion	A temporary increase over the levy limit for the payment of a specific debt service item over a specific period of time.
Capital Outlay Expenditure	A temporary exclusion for the purpose of raising funds for capital project costs.
Excess Levy Capacity	The difference between the actual levy and the levy limit.

EXHIBIT D**FISCAL YEAR 2013
COMPARABLE TAX
RATES**

COMMUNITY	RESIDENTIAL TAX RATE	CIP TAX RATE
SAUGUS (FY13)	\$11.28	\$24.90
LYNNFIELD (FY12)	\$14.26	\$15.56
MELROSE (FY12)	\$12.76	\$19.47
READING (FY12)	\$14.15	\$14.15
STONEHAM (FY12)	\$12.91	\$20.25
WAKEFIELD (FY12)	\$11.90	\$24.18

**FISCAL YEAR 2013 TAX
SHIFT**

COMMUNITY	MAXIMUM ALLOWABLE SHIFT	FY 2013 ACTUAL SHIFT	% OF TAX BASE RES	% OF TAX BASE COM
SAUGUS	175.00%	175.00%	78.9272%	21.0728%
LYNNFIELD	150.00%	108.30%	91.8767%	8.1233%
MELROSE	175.00%	148.00%	94.0816%	5.9184%
READING	150.00%	100.00%	90.0561%	9.9439%
STONEHAM	162.50%	150.00%	88.3600%	11.6400%
WAKEFIELD	175.00%	175.00%	84.3867%	15.6133%

EXHIBIT E

FY	Residential	Open Space	Commercial	Industrial	Personal Property	Total	Res/OS as % of Total	CIP as % of Total
1988	11,382,035	71,924	4,525,479	1,314,216	597,789	17,891,443	64.0	36.0
1989	10,778,797	68,617	5,353,999	1,587,606	706,145	18,495,164	58.7	41.3
1990	11,600,950		5,945,956	1,386,571	595,114	19,528,591	59.40	40.60
1991	11,982,413		6,348,150	1,457,282	622,173	20,410,018	58.71	41.29
1992	12,887,442		6,200,244	2,659,379	660,119	22,407,184	57.51	42.49
1993	13,314,504		6,428,128	2,548,333	883,947	23,174,912	57.45	42.55
1994	13,760,958		6,547,146	2,667,203	972,653	23,947,960	57.46	42.54
1995	14,663,287		7,515,013	2,329,151	1,020,936	25,528,387	57.44	42.56
1996	15,469,389		8,178,727	2,271,941	1,011,557	26,931,614	57.4	42.6
1997	16,034,609		8,513,723	2,358,251	1,006,045	27,912,628	57.4	42.6
1998	16,605,741		8,797,268	2,460,015	1,033,544	28,896,568	57.5	42.5
1999	17,172,439		9,113,441	2,488,975	1,115,844	29,890,699	57.5	42.5
2000	17,883,673		9,518,605	2,562,679	1,167,233	31,132,190	57.44	42.56
2001	18,624,464		9,973,485	2,668,796	1,155,111	32,421,856	57.44	42.56
2002	19,849,491		10,260,515	2,587,550	1,062,675	33,760,231	58.80	41.20
2003	21,787,448		9,540,493	2,431,553	1,020,532	34,780,026	62.64	37.36
2004	22,704,731		9,890,667	2,520,359	1,127,856	36,243,613	62.64	37.36
2005	25,041,992		10,865,906	2,596,622	1,079,941	39,584,461	63.26	36.74
2006	26,787,052		10,302,214	2,474,076	1,006,579	40,569,921	66.03	33.97
2007	28,920,761		10,091,757	2,539,903	1,138,778	42,691,199	67.74	32.26
2008	30,111,675		10,838,011	2,315,868	1,182,384	44,447,938	67.75	32.25
2009	30,129,340		11,919,005	2,854,852	1,484,174	46,387,371	64.95	35.05
2010	30,192,238		13,076,147	3,108,196	1,723,188	48,099,769	62.77	37.23
2011	31,042,339		13,557,137	3,096,211	1,933,066	49,628,753	62.55	37.45
2012	32,315,888		13,488,051	3,307,737	2,083,756	51,195,432	63.12	36.88
2013	32,989,841		14,283,216	3,746,242	2,099,430	53,118,729	62.10	37.90